

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Orange	County Kalkaska
Fiscal Year End 03/31/06	Opinion Date 06/19/06	Date Audit Report Submitted to State 08/22/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	None		
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 1107 E. 8TH STREET		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

**TOWNSHIP OF ORANGE
KALKASKA COUNTY, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

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Independent Auditor's Report

Members of the Township Board
Orange Township
Kalkaska County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Orange, as of and for the year ended March 31, 2006, which collectively comprise the Townships' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Orange's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Orange, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Orange has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2006. The Township of Orange has not presented the Managements Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required to be part of, the basic financial statements.

The required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Orange's basic financial statements. The supplementary data section is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
June 19, 2006

1107 East Eighth Street Traverse City, MI 49686 | tel. 231-946-8930 | fax. 231-946-1377

TOWNSHIP OF ORANGE
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
YEAR ENDED MARCH 31, 2006

	Governmental Fund Types		Total Governmental Funds	Adjustments	Statement Of Net Assets
	General	Non-Major Funds			
ASSETS					
Cash	\$ 432,917	\$ 6,756	\$ 439,673	\$	\$ 439,673
Taxes receivable	7,984		7,984		7,984
Due from other funds	58		58		58
Due from state	13,580		13,580		13,580
Capital Assets:					
Land and land improvements				112,739	112,739
Buildings and other equipment, net of accumulated depreciation				67,399	67,399
TOTAL ASSETS	<u>\$ 454,539</u>	<u>\$ 6,756</u>	<u>\$ 461,295</u>	<u>\$ 180,138</u>	<u>\$ 641,433</u>
LIABILITIES:					
Due to other funds	\$	\$	\$	\$	\$
Due to other governmental units					
TOTAL LIABILITIES					
FUND BALANCE/NET ASSETS					
Fund balances:					
Undesignated	454,539	6,756	461,295	(461,295)	
TOTAL FUND BALANCE	<u>454,539</u>	<u>6,756</u>	<u>461,295</u>	<u>(461,295)</u>	
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 454,539</u>	<u>\$ 6,756</u>	<u>\$ 461,295</u>		
NET ASSETS					
Invested in Capital Assets				180,138	180,138
Unrestricted				461,295	461,295
TOTAL NET ASSETS				<u>641,433</u>	<u>641,433</u>
				<u>\$ 180,138</u>	<u>\$ 641,433</u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ORANGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

Total governmental fund balance	\$ 461,295
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>180,138</u>
Net Assets of Governmental Activities	<u><u>\$ 641,433</u></u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ORANGE
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2006

	Governmental Fund Type		Total Governmental Funds	Adjustments	Statement of Activities
	General	Non-Major Funds			
REVENUES:					
Property taxes	\$ 49,320	\$	\$ 49,320		\$ 49,320
Other taxes	314		314		314
State revenue sharing	83,815		83,815		83,815
Interest	9,640	13	9,653		9,653
Miscellaneous	14,434		14,434		14,434
TOTAL REVENUES	157,523	13	157,536		157,536
EXPENDITURES:					
Legislative:					
Township Board	20,779		20,779		20,779
General government:					
Supervisor	72		72		72
Elections	3,338		3,338		3,338
Assessor	11,470		11,470		11,470
Attorney fees	1,013		1,013		1,013
Clerk	1,204		1,204		1,204
Board of Review	1,222		1,222		1,222
Treasurer	3,124		3,124		3,124
Building and grounds	2,716		2,716		2,716
Cemetery	10,957		10,957		10,957
Unallocated	1,017		1,017	(199)	818
Depreciation				2,456	2,456
Public safety:					
Fire protection	24,613		24,613		24,613
Refuse collection	5,554		5,554		5,554

	Governmental Fund Type		Total		
	General	Non-Major Funds	Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES (Continued):					
Public works:					
Highways and streets					
Depreciation				877	877
Health and welfare:					
Health	256		256		256
Other:					
Social security and fringes	3,584		3,584		3,584
Insurance	2,626		2,626		2,626
TOTAL EXPENDITURES	93,545		93,545	3,134	96,679
EXCESS OF REVENUES OVER EXPENDITURES	63,978	13	63,991	(3,134)	60,857
OTHER FINANCING SOURCES (USES):					
Operating transfers in		6,743	6,743		
Operating transfers (out)	(6,743)		(6,743)		
TOTAL OTHER FINANCING SOURCES (USES)	(6,743)	6,743			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	57,235	6,756	63,991	(63,991)	
CHANGE IN NET ASSETS				60,857	60,857
FUND BALANCE/NET ASSETS, beginning of year	397,304		397,304	183,272	580,576
FUND BALANCE/NET ASSETS, end of year	\$ 454,539	\$ 6,756	\$ 461,295	\$ 180,138	\$ 641,433

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ORANGE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Net change in fund balance	\$	63,991
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Amounts reported for governmental activities are different because:

Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets are depreciated over their estimated useful lives.

Expenditures of capital assets		199
Current year depreciation		(3,333)
		(3,134)

Net Assets of Governmental Activities	\$	60,857
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The accompanying notes are an integral part of these statements.

**TOWNSHIP OF ORANGE
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
MARCH 31, 2006**

ASSETS

Cash	\$ 58
TOTAL ASSETS	\$ 58

LIABILITIES

Due to other funds	\$ 58
TOTAL LIABILITIES	\$ 58

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Orange (Township), Kalkaska County, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of summary of significant accounting policies by the Township.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations. (Not included by the Township)
- Financial statements prepared using full accrual accounting for all of the Township’s activities, including infrastructure (roads, sidewalks, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township has elected to implement the provision of Statement No. 34 in the current year.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for tax collection function that is maintained by the County Treasurer.

The Townships only other fund is a non-major governmental fund. The *capital projects fund* accounts for the general operations of the building department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has not elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Cash and investments

The Township reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to the finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 Township tax roll general millage rate was .8584 mills. The Township also levies .9639 mills for fire protection. The taxable value was \$28,580,051.

Fixed Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated fixed assets are stated at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment of a fund is determined by its measurement focus. General capital assets are long-lived assets of the Township as a whole. Infrastructure such as streets, traffic signals and signs will be capitalized on a prospective basis. The valuation basis for the general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS

Capital asset balances and activity for the year ended March 31, 2006 were as follows:

Primary Government	<u>Balance 3/31/05</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Balance 3/31/06</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 72,014	\$	\$	\$ 72,014
Total capital assets not being depreciated	<u>72,014</u>			<u>72,014</u>
Capital assets, being depreciated				
Buildings	18,735			18,735
Equipment	11,430	199		11,629
Land Improvements	52,541			52,541
Infrastructure	<u>43,850</u>			<u>43,850</u>
Total capital assets being depreciated	<u>126,556</u>			<u>126,755</u>
Less accumulated depreciation for:				
Buildings	4,038	1,325		5,363
Equipment	9,060	543		9,603
Land Improvements	1,323	588		1,911
Infrastructure	<u>877</u>	<u>877</u>		<u>1,754</u>
Total accumulated depreciation	<u>15,297</u>	<u>3,333</u>		<u>18,631</u>
Total capital assets, being depreciated, net	<u>111,259</u>	<u>(3,134)</u>		<u>108,124</u>
Governmental activities capital assets, net	<u>\$ 183,273</u>	<u>\$ (3,134)</u>	<u>\$</u>	<u>\$ 180,138</u>

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of Interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 58</u>	Current Tax Collection	<u>\$ 58</u>

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – POSTEMPLOYMENT BENEFITS

The Township provides no post employment benefits to past employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceed the amount of insurance coverage in any the past five fiscal years.

NOTE 6 – DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

Deposits	Bank Balances
Insured FDIC	\$ 396,819
Uninsured	42,524
Total Deposits	<u>\$ 439,343</u>

At year end the balance sheet carrying amount of deposits was \$439,673.

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Township places no limit on the amount the district may invest in any one issuer.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF ORANGE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES:				
Property taxes	\$ 26,000	\$ 20,000	\$ 49,320	\$ 29,320
Other taxes			314	314
State revenue sharing	75,000	67,900	83,815	15,915
Interest	3,000	3,000	9,640	6,640
Miscellaneous			14,434	14,434
TOTAL REVENUES	104,000	90,900	157,523	66,623
EXPENDITURES:				
Legislative:				
Township Board	22,000	22,000	20,779	1,221
General government:				
Supervisor	100	100	72	28
Elections	20,000	20,000	3,338	16,662
Assessor	13,000	13,000	11,470	1,530
Attorney Fees	1,000	2,000	1,013	987
Clerk	5,000	5,000	1,204	3,796
Board of Review	2,500	2,500	1,222	1,278
Treasurer	6,000	6,000	3,124	2,876
Building and grounds	10,000	10,000	2,716	7,284
Cemetery	7,000	11,600	10,957	643
Unallocated	43,115	37,515	1,017	36,498
Public safety:				
Fire protection	26,000	26,000	24,613	1,387
Refuse collection	10,000	10,000	5,554	4,446
Health and welfare:				
Health	500	500	256	244
Recreation	100	100		100
Other:				
Social security and fringes	4,500	4,500	3,584	916
Insurance	3,500	3,500	2,626	874
Contingencies	10,000	10,000		10,000
TOTAL EXPENDITURES	184,315	184,315	93,545	90,770
EXCESS OF REVENUES OVER EXPENDITURES	(80,315)	(93,415)	63,978	157,393
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)			(6,743)	(6,743)
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>\$ (80,315)</u>	<u>\$ (93,415)</u>	57,235	<u>\$ 150,650</u>
FUND BALANCE, beginning of year			397,304	
FUND BALANCE, end of year			<u>\$ 454,539</u>	

Supplementary Data Section

**TOWNSHIP OF ORANGE
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006**

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
ASSETS				
Cash in bank	\$ 2,550	\$ 718,699	\$ 721,191	\$ 58
LIABILITIES				
Due to other funds	\$ (39)	\$ 41,433	\$ 41,336	\$ 58
Due to other taxing units	2,589	677,266	679,855	
Total Liabilities	\$ 2,550	\$ 718,699	\$ 721,191	\$ 58



June 19, 2006

To the Township Board
Township of Orange

In planning and performing our audit of the financial statements of the Township of Orange for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Orange's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our study and evaluation of internal control disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

Recommendations

Investment Policy

Governmental Accounting Standards Board has issued Statement #40, *Deposit and Investment Risk Disclosures*, which was effective for the March 31, 2006 annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk.

Although GASB 40 does not specifically require an Investment Policy, governmental units will certainly want to consider adopting an updated policy. You will need to disclose in your annual audit footnotes:

- the government's investment policy for any specific type of risk to which the district is exposed, or

- the fact that your district has no investment policy that addresses the specific type of risk to which the district is exposed.

The Township is generally conservative minded when investing its excess deposits, but a policy which defines that risk level of the district will protect its investments.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of treasury and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants